

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION FINAL :
ACCUMULATED EARNINGS UNDER : DOCKET NO. 3762
SIX YEAR RATE PLAN :

REPORT AND ORDER

In this docket, the Public Utilities Commission (“PUC”) approved a multi-year rate plan for Interstate Navigation Company (“Interstate” or “Company”), the result of an Amended Settlement Agreement that provided for a five-year rate plan, which was extended through 2012.¹ The rate plan included a two-year rate freeze through December 31, 2008. The rate plan also allowed for rate changes after December 31, 2008 under set circumstances.² The rate plan required a final calculation of Interstate’s cumulative return on equity to determine whether the Company had exceeded the allowed rate of return of 11.0%.³ The Amended Settlement Agreement provided that “[a]ny accumulated earnings as calculated in the Final Accumulated Earnings Report over 150 basis points (1.50%) above the allowed return on equity of 11.0% shall be shared 50% for customers and 50% for the Company.”⁴

On October 10, 2013, Interstate filed a memorandum from Walter E. Edge, Jr., MBA CPA, in which he stated that he had been working with the Division of Public Utilities and Carriers (“Division”) to develop the final accumulated earnings calculation. He represented that, “after exchanging ideas we have both concluded that Interstate’s earnings for the six year rate

¹ Order No. 20406 (issued July 5, 2011).

² Order No. 18957 (issued May 11, 2007), Appendix A (Amended Settlement Agreement) at 7.

³ *Id.* at 9-10.

⁴ *Id.* at 10.

plan were inadequate to reach the 12.5% point of sharing with the ratepayers.”⁵ Therefore, he determined that there was no refund owed to Interstate’s ratepayers.⁶

On January 6, 2013, the Division submitted a memorandum from its consultant, David J. Effron, with a schedule showing that the earnings for the years covered by the Amended Settlement “did not produce a return on equity in excess of 12.50% on a cumulative basis.”⁷ He noted that Interstate did not agree in all respects with the Division’s calculation. Nonetheless, the Division and Interstate were in agreement that there was no refund owed to ratepayers.⁸

At an Open Meeting held on January 16, 2014, the PUC reviewed the filings and unanimously found that Interstate’s filing complied with the Order approving the Amended Settlement and further, accepted the Division’s position that Interstate did not have cumulative earnings in excess of 12.5%. While the PUC notes that there is a disagreement between the parties as to the level of cumulative earnings over the six-year period, there is no need to expend additional ratepayer funds to determine the precise level of cumulative earnings. Both parties agree that there are no excess earnings to share with ratepayers.

Accordingly, it is hereby

(21407) ORDERED:

1. Interstate Navigation Company’s October 10, 2013 filing complies with Commission Order No. 18957 as extended by Order No. 20406.
2. Interstate Navigation Company did not have cumulative earnings in excess of 12.5% for Calendar Years 2007 through 2012.

⁵ Mem. from Walter E. Edge, Jr. to Michael R. McElroy, Esq. (Oct. 8. 2013).

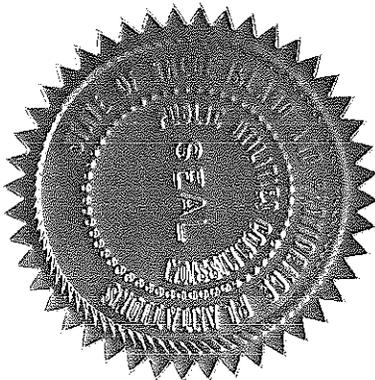
⁶ *Id.*

⁷ Mem. from David J. Effron to Stephen Scialabba (Nov. 26, 2013).

⁸ *Id.*

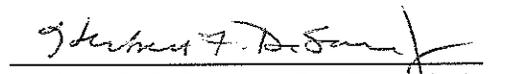
EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING DECISION ON JANUARY 16, 2013. WRITTEN ORDER ISSUED MARCH 26, 2014.

PUBLIC UTILITIES COMMISSION




Margaret E. Curran, Chairperson


Paul J. Roberti, Commissioner


Herbert F. DeSimone, Jr., Commissioner

NOTICE OF RIGHT TO APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.